



# Climate Sustainability Statement

SBS Group  
Year ending 31 March 2026

Helping Kiwis find a place to call home.





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## User statement:

This document includes both the SBS Group Climate-Related Disclosure Statement and the Group Sustainability Statement for the year ending 31 March 2026.

The climate statements within have been produced in line with the New Zealand Climate Standard (NZCS1:3) and draw from the Taskforce for Climate Related Financial Disclosures (TCFD). The order of statements may differ to that in NZCS1 with additional material information, not specifically required under NZCS1, included throughout. Several “adoption provisions” have been used in this statement, and are detailed in Appendix A.

This ‘Climate | Sustainability Statement’ is led by the disclosures required in NZCS1:3, followed by SBS’s sustainability highlights. Though not standard in application, SBS feels that our Climate Statement is better presented in the context of our wider sustainability vision.



# Introduction

## Compliance statement

This is the Southland Building Society Group's (SBS) third Climate-Related Disclosure, required to be prepared under the Aotearoa New Zealand Climate Standard. This disclosure builds on previous Climate | Sustainability Statements published by SBS.

SBS is a Climate Reporting Entity under the Financial Markets Conduct Act 2013. The disclosures made within these statements are made in accordance with the Aotearoa New Zealand Climate Standards issued by the External Reporting Board. SBS has elected to use the Adoption Provisions related to anticipated financial impacts and the time horizons anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur. SBS has also partially used the adoption provision related to Scope 3 emissions disclosure. These statements are approved as complete and in compliance with the Standards by the SBS Board on 25 June 2026.

A handwritten signature in black ink, appearing to read "Joe O'Connell".

**Joe O'Connell**  
Chairperson

A handwritten signature in blue ink, appearing to read "Linda Robertson".

**Linda Robertson**  
Group Audit and Risk  
Chairperson

## Important notice

Climate-related risk is an evolving field reliant on forward-looking projections with significant uncertainty and data availability challenges – particularly over longer time horizons. As such, this statement and disclosure rely on assessments on how risks and opportunities may materialise over time, which have inherent uncertainty. Where positions of risk have been presented, they are assessed based on SBS's position as at 31 March 2026 unless specified. Positions of risk are presented with descriptions of assumptions and uncertainties as they relate to each risk type.

Risks and opportunities presented in this statement, alongside SBS's strategy and targets, may not eventuate as presented, and we note that risk position metrics presented may differ to previous or future statements based on better data and updates to climate risk management approach. In such cases, restatements, where material, will be identified and explained.

These statements contain narratives pertaining to how the future may develop (Strategy Section). The language used in these narratives is definitive as required. However, these narratives are based on assumptions and should be read as a story on how the future may develop under conditions of uncertainty.

## Reporting entity

SBS was established in 1869, is incorporated under the Building Societies Act 1965, and is registered as a bank under the Banking (Prudential Supervision) Act 1989. The climate-related disclosures presented here are for the reporting entity of the SBS Group comprising SBS Bank and its subsidiaries, SBS Insurance, SBS Wealth, Finance Now (FNL), and Fraser Properties.

SBS has disclosed information that is material to the Group as defined in NZCS3: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of an entity's climate-related disclosures." Primary users of this statement include SBS Bank members and prospective members, SBS Insurance, SBS Wealth, and FNL customers, and current and prospective wholesale investors. Materiality is outlined in the strategy section in relation to our scenario analysis.

## A Word from our Group CEO

We are proud that our members are at the forefront of our story and that we provide more reasons to bank with a mutual organisation that invests back into New Zealand. We take great pride in our purpose – helping Kiwis find a place to call home.

A stylized, handwritten signature in black ink, consisting of the letters 'M' and 'L'.

Mark McLean  
SBS Group CEO

The SBS Group has momentum now in our sustainability journey following the Board approval of our new Group Sustainability Strategy. This Climate | Sustainability Statement is our third, and we are proud of our efforts in uplifting our maturity to climate risk management in the past 12 months.

Climate change continues to present an uncertain future, where both risks and opportunities will influence how we deliver on our purpose – Helping Kiwis find a place to call home. The SBS Group maintains a low appetite for exposure to climate-related risks, and we remain confident in the strength of our current approach. As part of our ongoing commitment to responsible lending, SBS Bank is enhancing its new lending security assessments to include a more comprehensive evaluation of climate related risks. We have also seen increasing maturity in our approach through the introduction of climate specific stress testing within our liquidity stress testing framework, with the results of this analysis presented in this Statement. Together, these initiatives reflect our continuous efforts to safeguard our Members and the long-term resilience of the organisation.

Our sustainability vision has continued to be an important focus area for SBS, which is evidenced through our commitment to helping Kiwis find a place to call home. SBS Bank has helped more than 1300 new homeowners into their very own homes in FY26. We are proud of the difference we continue to make in Kiwis' lives, and the efforts of the entire SBS Bank team makes in putting you, our Members at the heart of everything we do.

We continue to expand the scope on our emissions disclosure with our second year of financed emissions disclosures related to vehicle and residential lending, and we continue to see reductions in our emissions across most scopes.

Our focus on home ownership has remained a constant in our 156 years, and as such, we have no lending or funding exposure to the fossil fuel industry. In support of our Members to decarbonise their own homes, SBS has partnered with CoGo with their home electrification tool – we are excited to see the difference this can make to our Members. We have continued to see a reduction in our emissions across most targets, with a combined 29% reduction in bulk mail, 46% reduction in paper use, and 28% reduction in vehicle emissions from our baseline period in FY23. With these sustained efforts, the SBS Group is on track towards our commitments of emissions reduction in line with the Paris Accord.

Our teams continue to be busy in the community, volunteering in projects to help our environment through community working bees and sponsorships such as the Southland Loss and Grief Centre, Young Enterprise Scheme Chamber of Commerce, Southern Coastal Charitable Trust, Ronald McDonald House, and with dedicated volunteer leave provided to all staff. I am proud of the sustainability work of the team and our commitment to doing our part for a sustainable future for our Members and New Zealand.

# Governance

## Board oversight of climate-related risks and opportunities

The **SBS Board** is the Governing Body ultimately accountable for the oversight of climate-related risks and opportunities. Profiles of our Board of Directors are published in the SBS Annual Report or on our website at [sbsbank.co.nz/About-Us/Our-People](https://sbsbank.co.nz/About-Us/Our-People)

The SBS Board is the approval body for the following:

- Group Environmental Policy – detailing risk management processes for environmental and climate-related risks and opportunities,
- Group Sustainability Strategy – detailing the Groups' Sustainability focus for the next 5 years,
- Group Emissions Management and Reduction Plan – bringing the Group's emissions management into one framework and setting science-based initiative targets,
- Group Climate Scenarios Narrative – internal document detailing the dimensions of SBS climate scenarios used in strategy development and risk management.

The SBS Board is responsible for the approval of risk appetite settings, including those related to climate risks, as they relate to the development and implementation of Group strategy. The Board has set a 'low appetite' to climate-related risks requiring SBS management to take all reasonable steps to minimise the consequence and/or likelihood of the specific risk and limit exposure.

In the FY26 reporting year, the Board allocated resources to identify, model, and manage climate-related risks and opportunities. SBS is maturing in our climate risk management journey, with our first climate related stress test undertaken. As of 31 March 2026, no capital has been provisioned in response to climate-related risks, however SBS will phase lending restrictions on high risk properties exposed to flooding or coastal inundation. SBS maintains a close watching brief on climate-related risks in relation to our strategy implementation.

The SBS Board maintains skills and competencies related to climate risks and opportunities through information papers and attendance at climate education sessions during the year. As the management and oversight of climate-related risks and opportunities is an evolving area, the Board will continue with education and close oversight.

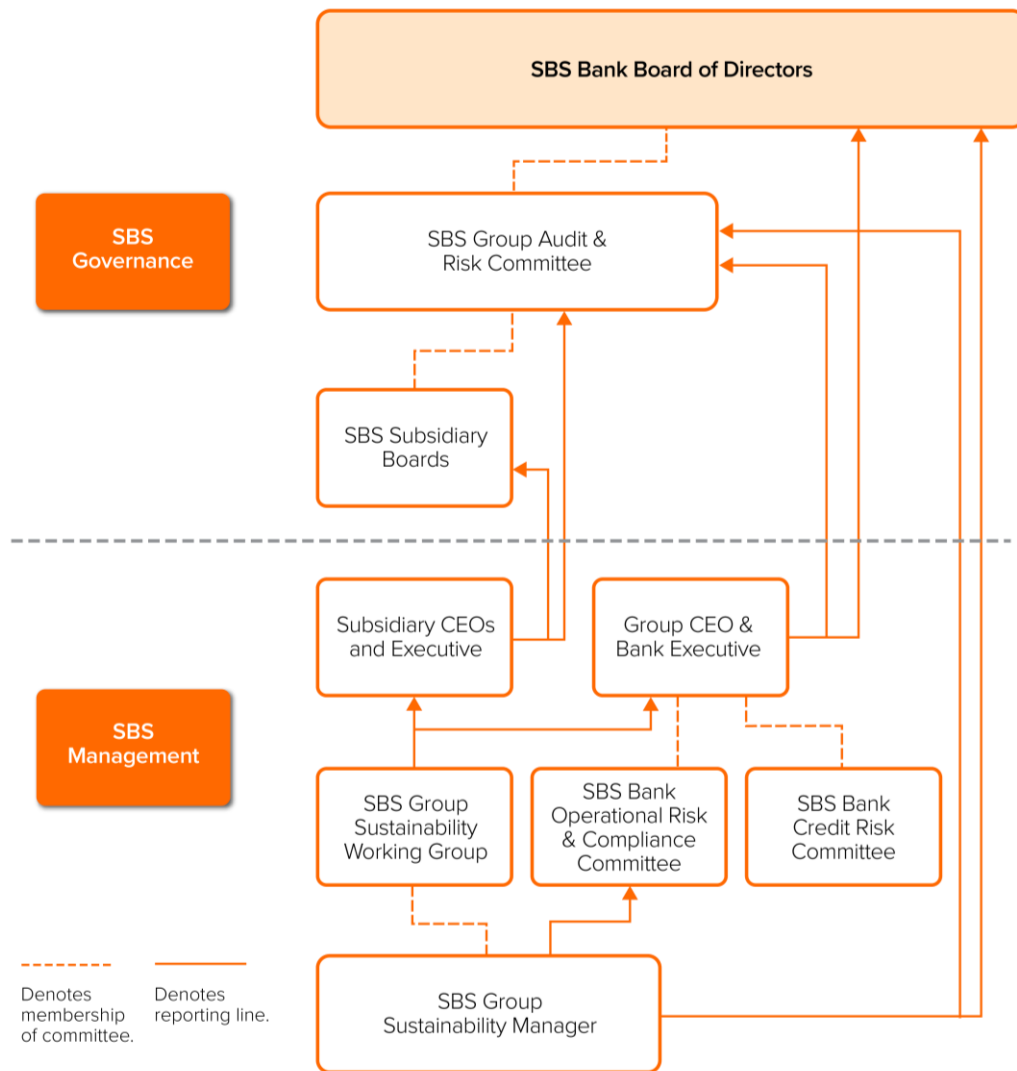
A subset of the SBS Board members are members of the **Group Audit and Risk Committee (GARC)**. The role of this body is to ensure the integrity of the Group financial controls, reporting systems and internal risk and audit standards and processes, providing the SBS Board of Directors with additional assurance on the quality and reliability of financial information and risk management systems. The chairperson of the GARC has a Climate Change Governance Certificate from NZ Institute of Directors, and is a member of Chapter Zero.

The GARC meet quarterly with climate-related risks as a standing agenda item at all meetings. In addition to climate change, this committee also considers the Groups' wider Sustainability Strategy and has oversight on sustainability initiatives and market research and strategy development in this area.

## Remuneration and performance

Management of material risk profiles is a core performance metric of senior managers, however there are no climate-specific performance targets linked with remuneration.

# Governance Overview



## SBS Board

Ultimate accountability for climate-related risks and opportunities. The SBS Board sets and approves risk appetite, meets eight times per year, and receives ad-hoc papers and updates on climate-related risks and opportunities.

## SBS Group Audit and Risk Committee

Meets quarterly with a standing agenda item including climate-related risks and opportunities. Reports received include risk position, regulatory developments, and the performance of emissions reduction. Recommends risk appetite to Board.

## SBS Subsidiary Boards

Receive reports specific to the operations of each subsidiary. The Subsidiary Boards contain Board members from the SBS Board and independent directors.

## SBS Group CEO and Executive

Responsible for integration of climate and environmental-related risk into management of risks within SBS. Executive members receive regular updates on climate-related operational matters. Bank Executive are members of the Bank Operational Risk and Compliance Committee.

## SBS Group Sustainability Working Group

Progresses the Group Sustainability work program, including climate-related risks and opportunities. Committee members from SBS subsidiaries and business units provide communication channels and integrate initiatives to the wider business.

## SBS Bank Operational Risk and Compliance Committee

Responsible for ensuring the Bank has systems in place to monitor and adequately control the Bank's risk profile and that those systems are being properly applied. The committee meets quarterly, with climate-related risk an agenda item.

## SBS Bank Credit Risk Committee

Responsible for developing and maintaining policies with respect to the approval, management, and monitoring of credit risks including climate-related credit risks.

## SBS Group Sustainability Manager

The SBS Group Sustainability Manager is responsible for the implementation of the Environmental Policy, Sustainability Strategy, emissions management and reduction, and the assessment and control of environmental and climate-related risks.

# Governance



**Pete Taylor**

SBS Group Sustainability Manager.

## Management's role of climate-related risks and opportunities

Responsibilities related to climate risks and opportunities are delegated through both the Group Risk Strategy and Framework, and Group Environmental Policy. Responsibilities and reporting requirements are aligned with all other material risks.

Risk management in relation to climate change is cross-functional and evolving with risk managers involved across the Group. Climate risk management is managed by the SBS Group Sustainability Manager with support and second line responsibilities shared with risk managers at each entity. Risk review and control sessions occur either quarterly or annually depending on the inherent risk rating, with reporting through to the Operational Risk and Compliance Committee (ORCC).

Formal risk reporting for SBS Bank occurs through the management comprised ORCC, and Group-wide through the GARC. The ORCC receives quarterly operational reports on inherent and residual risk ratings, control effectiveness, and status updates on actions related to the control of risks. This committee, alongside the GARC, receive quarterly updates on modelled risk exposure related to flooding and sea level rise, and emissions reduction metrics and targets - both presented in this Climate Statement.

## Development of strategy

While climate-related risks are not considered in the development of overarching strategy due to our low-level exposure, climate-related risks and opportunities are considered in the delivery of strategy and in operational decisions. Refer to Transition Planning on Page 15 for detail.

# Risk management

## SBS risk management

The Group Risk Management Strategy and Framework (the Framework) supports SBS in achieving its strategic priorities by clearly articulating our approach to managing risk consistent with our risk appetite. The Framework incorporates the Reserve Bank of New Zealand (RBNZ) Risk Management Guidelines and aligns to the AS/NZS ISO 31000 risk management standard.

For further detail on SBS risk management, please refer to the Annual Report, located: [sbsbank.co.nz/About-Us/Annual-Reports-and-Disclosures](https://sbsbank.co.nz/About-Us/Annual-Reports-and-Disclosures)

This Framework requires each entity and business unit to plan and manage the outcomes of its risk-taking activities including proactively managing its risk profile within appetite; using risk-adjusted outcomes and considerations as part of its day-to-day business decision-making processes; and establishing and maintaining appropriate risk controls.

The Framework supports a holistic approach to risk management and sets out minimum standards for managing the material risks that apply to SBS Group. As applicable, additional group-wide risk policies that give effect to this strategy are established and maintained in line with our risk management governance structure and delegations from the SBS Board.

## Climate risk identification

SBS identifies and manages climate-related risks in line with our Group Environmental Policy, which gives effect to the Framework. As Climate Risk is deemed a material risk in the Framework it is managed as such with its own appetite statement, targets, and current state metrics. Climate-related risks are prioritised by the same criteria as other material risks. Climate risks are reported quarterly through the GARC.

Early work identified climate-related risks in line with the TCFD recommendations, with consideration of three climate scenarios at four different time horizons: present, 2030, 2050, and 2080. This workshop was facilitated by external advisers and attended by senior managers and risk managers across the SBS Group. This workshop resulted in the identification of both transitional and physical risks and their relative significance.

These risks were assessed, refined and tested to determine relative materiality, in accordance with the Risk identification flowchart on Pages 9 & 10. Material risks identified and assessed in this process were logged for active management. Material risks are disclosed in this Climate-Related Disclosure Statement.

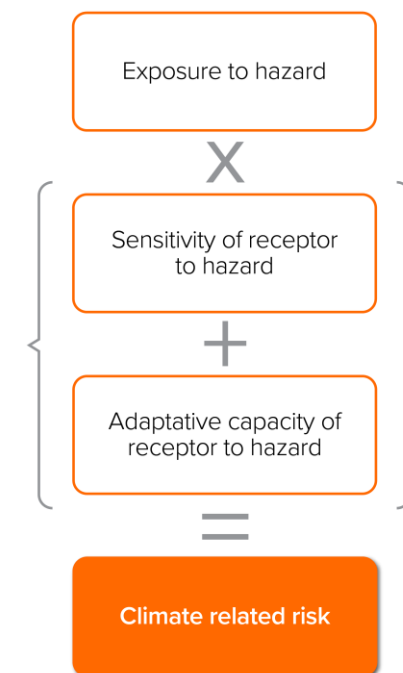
## Climate risk assessment

Climate-related risks are assessed against two criteria depending if they are physical or transitional.

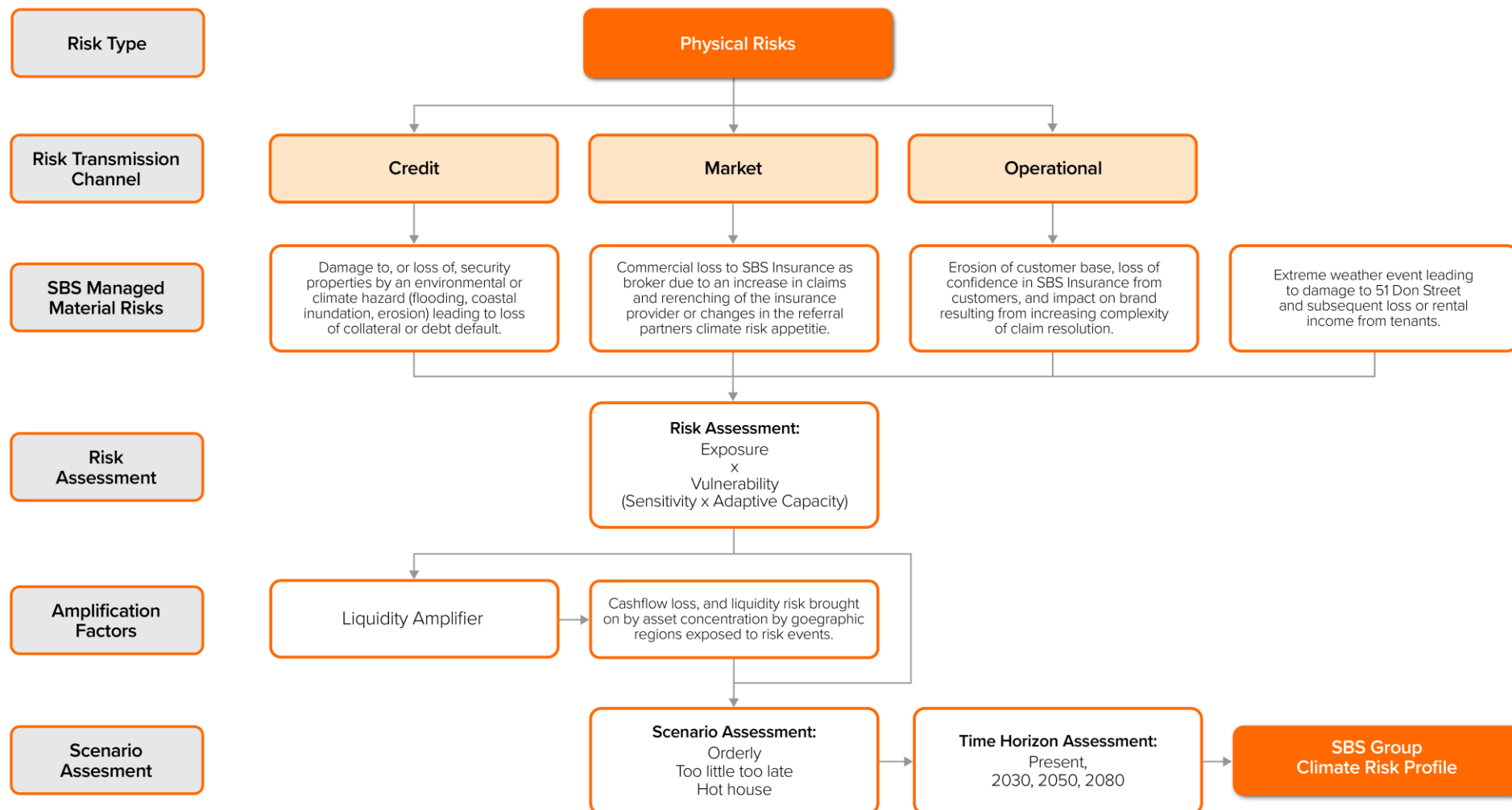
1. Physical risks are assessed in a matrix of hazard exposure and vulnerability – being a function of sensitivity and adaptive capacity. Physical risks are assessed against the three climate scenarios, and at each time horizon.
2. Transitional risks are assessed based on their potential impact and the relative urgency of the risk based on the climate scenario.

Both physical and transitional risk assessment criteria are matrices giving an overall risk score in line with the Group Risk Management Strategy and Framework. Where data are available and necessary, modelling of physical risk exposure has been undertaken to inform our position.

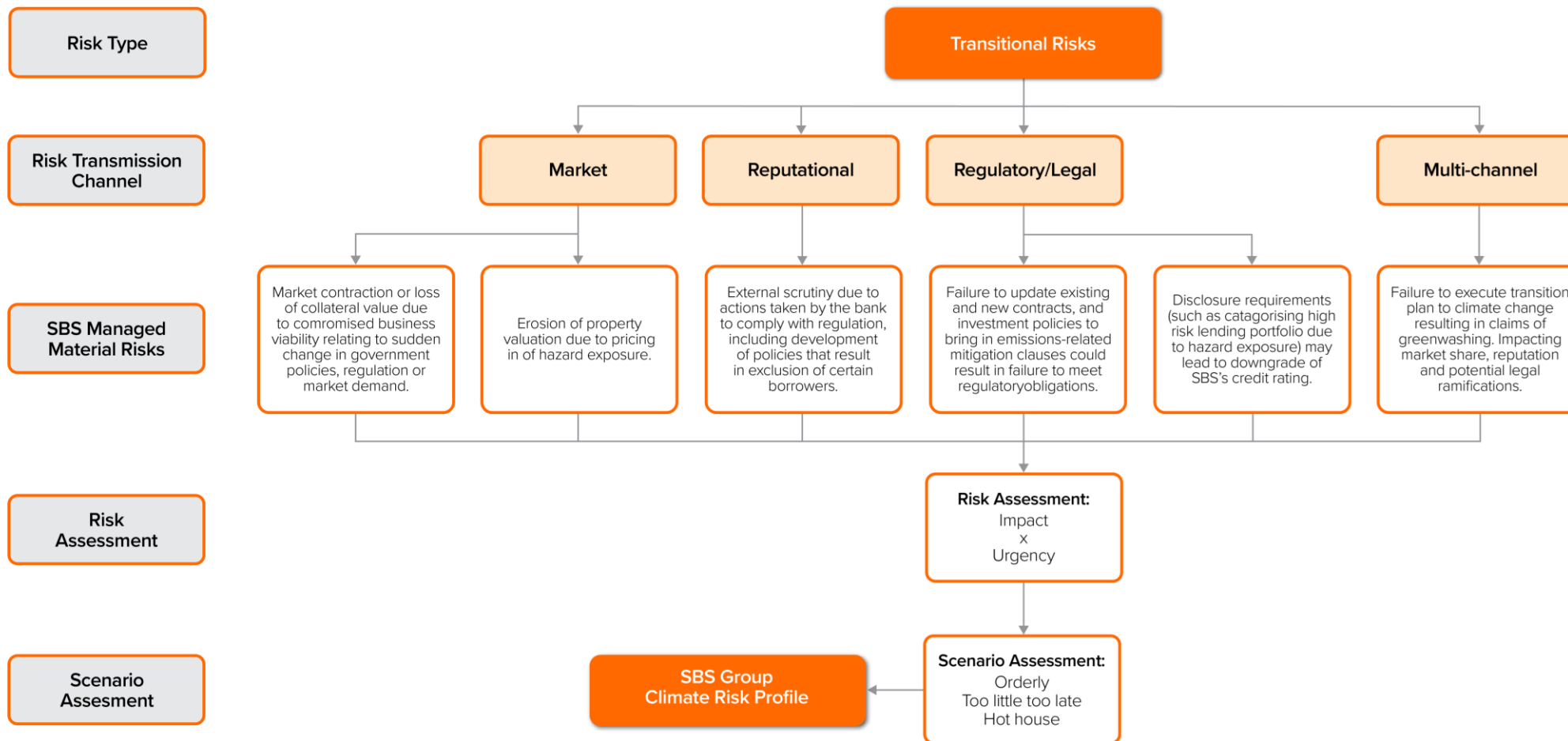
Climate risks were qualitatively assessed against material areas of the Group including; Group operations, SBS Bank residential lending, and FNL vehicle lending. Non-material aspects have been considered and include non-residential bank lending due to immaterial book size, SBS Wealth MIS funds due to not meeting reporting threshold, FNL personal lending due to distributed nature, and credit & liquidity aspects of SBS Insurance-brokered third-party policies.



# Climate risk management process - Physical Risks



# Climate risk management process - Transition Risks



# Climate risk management (continued)

## Climate risk management

Climate risks are managed through the following steps, and illustrated on pages 9 and 10:

- Identification of the related physical or transitional hazard with consideration of material components of SBS operations.
- Identification of the risk transmission channel, amplification factors, and interaction or inflation factors with other risks or channels.
- Define risk statement, scope, and boundary with specific reference to material component of SBS operations.
- Assess the risk against the risk assessment matrix. For physical risks, assess against matrix of hazard exposure and vulnerability – with vulnerability being a function of sensitivity and adaptive capacity. Transitional risks are assessed as a matrix of impact (aligned with SBS Group Risk Strategy and Framework) and urgency (how soon the risk may materialise).
- Assess against climate scenarios and time horizons (physical risks only). Aggregate risks to create Climate Risk Profile.
- Risk profile managed in line with Group policy and reported through the governance team.

## Risk modelling

Material physical climate risks including flooding and coastal inundation are modelled in-house to determine their exposure and provide a degree of sensitivity of the receptor. Two models are currently in use and are described:

### 1. Coastal Inundation

Exposure to coastal inundation is assessed using the NIWA 1% coastal inundation layers, sea rise Takiwa projections, and geolocation of SBS securities. Each coastal security is assessed to which decade it will be **exposed** to a 1% annual exceedance probability (AEP) flooding event based on various climate scenarios. A 1% AEP represents a tipping point for insurability, with greater exposure experiencing insurance retreat earlier.

### 2. Flooding

Third party flood **exposure** data is used to determine the depth of flooding likely under various AEP scenarios and under various climate scenarios. Using a damage function, mapping the depth of flood water to a coefficient of damage, the sensitivity of securities is determined.

In both models, the adaptive capacity of securities is assumed to be high with full insurance coverage. Risk controls are working to determine a function of adaptive capacity from insurance.

## Risk reassessment

Environmental and climate-related risks and opportunities and controls are to be reviewed depending on their individual risk ratings. Higher rated risks are assessed quarterly, with annual as a default for low rated risks.

All climate change scenarios and future time horizons are to be comprehensively reassessed every four years – SBS Group’s first assessment was undertaken in FY23, with our first full reassessment due in FY27.

The models informing SBS Bank’s security property exposure to flooding and coastal inundation are updated quarterly with presentation of metrics and targets to the Bank ORCC, and the GARC. Both trigger and limit targets have been set for internal reporting, with controls developed to maintain exposure within appetite.

The continuous review cycle informs risk appetite, and the development and implementation of controls, both of which form a component of SBS’s climate transition.

# Strategy

## Our heritage

Our founder, James Walker Bain, established SBS with a simple goal: to help people into their own homes.

The Southland Building Land & Investment Society was established in 1869 with that singular purpose. It's now 157 years later, and while we've evolved into SBS Bank, our core values remain unchanged.

With branches, people and 24/7 banking right across New Zealand, SBS is a mutual bank, wholly owned by our members, and here for New Zealanders.

As a member-owned bank, putting our members at the heart of every decision and delivering exceptional value has always been a vital guiding principle.

We are very much in the heart of our communities, and we take pride in the broad portfolio of groups and charities as well as arts and sports events we sponsor, volunteering and our sustainability programme.

The SBS subsidiaries were established later, with SBS Insurance in 1987 as a specialist life insurance company providing life and disability insurance. FNL was first launched in 2000 providing provide personal, quick, hassle-free financial products and services. And two years later, SBS Wealth, then Funds Administration New Zealand was launched as a private wealth and advice provider. In 2007, SBS Wealth launched the Lifestages KiwiSaver Scheme, now called the SBS Wealth KiwiSaver Scheme.

## Our Strategy

Our strategic focus is firmly on innovation and finding better ways to support our members with their everyday banking needs. We have launched a significant programme to modernise the Bank's core banking technology, to ensure our products, services and experiences continue to meet and exceed the ongoing advances in consumer expectations.

SBS Group's strategy is to build a future-ready, digitally-enabled, mutual banking group by modernising core platforms, enhancing member experiences, and leveraging group-wide capabilities across banking, lending, wealth, and insurance. This is underpinned by disciplined financial performance, strong risk management, and a focus on sustainable member growth through deeper relationships, partnerships, and innovation.



# Strategy

## Climate scenario analysis

In 2022, SBS engaged Deloitte New Zealand to facilitate workshops to scope the dimensions of climate scenarios and to identify climate-related risks for the Group. This engagement:

- Established the dimensions of SBS Group’s climate change scenario assessment; and
- Identified physical and transition risks associated with these scenarios.

This first-pass risk assessment preceded the detailed New Zealand Banking Association (NZBA) scenario narrative, and relied on data and assumptions from the:

- Climate Change Commission – CCC,
- National Institute of Water and Atmospheric Sciences – NIWA (now Earth Sciences NZ),
- Intergovernmental Panel on Climate Change IPCC,
- Network for Greening the Financial Sector (NGFS).

The scope of the climate scenario analysis considered SBS’s operations, relative materiality, and focused on the regulatory and reputational elements of transition pathways, and physical risk pathways related to SBS’s lending portfolio.

As such, there is less reliance on emission abatement pathways, macroeconomic transitions, energy pathways, or nature-based solutions as these are not deemed material to the strategy and operations of the Group.

This was SBS’s first climate risk scenario analysis and was undertaken in a stand-alone process. SBS later participated in the NZBA scenario development. The scenario dimensions were chosen as appropriate for two reasons: firstly, they align with scenarios used across sectors in New Zealand with good data availability, and to ensure alignment with the NZBA sector scenarios. As SBS refines our understanding of the impacts of climate change and refines our climate scenarios, we will integrate this process with our strategy development.

Scenario development was led by members of the Environmental Working Group, with involvement from Group Executive members. The GARC was kept informed through standing agenda papers and received an in-depth session on climate scenarios in November 2023. The SBS Board received an in-depth overview of climate scenarios prior to its approval. Our Climate Scenario Analysis are due for a complete review in FY27, all dimensions, time horizons, assumptions, and scenario narratives will be tested for relevance against a changing risk environment and policy & regulatory framework. SBS Group’s updated climate scenario analysis will be presented in our FY27 Climate Related Disclosure statement.

Components of the scenarios and relevant time horizons and rationale are presented (right).

Scenario dimensions			
	Orderly 1.5°C	Too Little, Too Late >2°C	Hot House >3°C
<b>Physical impact</b>	SSP1, RCP2.6	SSP2, RCP4.5	SSP5, RCP8.5
<b>Transition impact</b>	NGFS: Orderly CCC ‘Tailwinds’	NGFS: Disorderly CCC ‘Headwinds’	NGFS: Hothouse CCC ‘Current policy’

Time horizons				
	Present	Short-term	Medium-term	Long-term
<b>Year relative to 2022</b>	Present – Rolling	2030	2050	2080
<b>Rationale</b>	Aligned with stress testing time horizons, insurance reassessment, and average vehicle loan terms. Current state assessment.	Aligned with emissions reductions targets, average term of residential loans, SBS growth strategy, and medium-term investments. Allows for assessment of insurance retreat risks, and strategic repositioning.	Aligned with international emissions reduction targets, international banking sector climate scenario guidance, and long-term investments.	Aligned with further materialisation of physical risks, allowing for strategic positioning across sectors.

# Scenario narratives

## Orderly scenario

The 'Orderly scenario' represents a world where collective global action is agreed as the best course for humanity with immediate action towards a low-carbon global economy to prevent exceeding the 1.5°C threshold. Proactive and collective action sees New Zealand meet a target of CO<sub>2</sub> reduction of 92% by 2050. This is achieved through a steady but heavy policy directive, including the decarbonisation of the transport sector. Successive governments progressively increase taxation on fuel and introduce a prohibition on new and imported second-hand internal combustion vehicles by 2030.

These actions result in the physical impacts being at the lower end of the scale. New Zealand's average temperature increases until 2050 and reaches a new equilibrium at 0.7°C relative to 1986-2005 and remains constant out to 2090, compared with a global temperature increase of 1.5°C.

Although temperature increase outcomes meet the target of the Paris Agreement, New Zealand still faces the impacts of sea level rise, particularly in the second half of the century. By 2050, the median sea level rise around New Zealand will average 0.23m, increasing to 0.46m by 2100 relative to 1986-2005 levels. This rise poses a threat of inundation for low-lying coastal areas, increasing the current SBS lending book exposed to a 1% AEP coastal flood from approximately 1.6% at present, to 2.38% in 2080.

## Too little, too late scenario

The 'Too little, too late' scenario represents a world where collective global action is delayed due to continued lobbying and weak regulatory action. Economic shocks resulting from mounting losses to climate-related events leading to 2030 results in global collective agreement to meet Nationally Determined Contributions (NDCs) followed by a roadmap to net zero emissions. This action is seen as too little and initiated too late, and is met with continued significant public disruption including legal challenges against corporations and governments. Global warming exceeds 2.7°C, with New Zealand exceeding 1.4°C by 2090.

New Zealand continues to take a path towards net zero, achieving a 67% reduction in net emissions by 2050 with the focus on reducing transport emissions through a continuation of current policies. Following 2030, the transition becomes more aggressive, largely catching up to and following the 'Orderly' scenario pathway.

Properties and assets at risk exceed that in the Orderly scenario towards 2080, with 2.79% of the current SBS lending book exposed to a 1% AEP coastal flood in 2080. Insurance coverage rapidly retreats, with high premiums and uncertainty due to uncertainty in the global market.

## Hot house scenario

The 'Hot House' scenario represents a world where no collective global action is taken to reduce emissions, and NDCs are not met. There is consensus on the causes of climate change, but effort is focused on impact adaptation rather than net zero emissions. Localised action continues, but any global action is driven by resource scarcity, technological advances, and cost, rather than a collective call to action for lower emissions. This lack of action see global temperature rise 4.4°C.

In New Zealand, transport emissions would halve by 2050 through a continuation of current policies, with modest emission reductions in other key sectors. Net emissions fall faster than gross emissions due to an over-reliance on forestry to carbon capture.

Physical impacts are high in this scenario, with rapid insurance retreat, community retreat, and market unease across all sectors. Sea level rise intensifies post 2050 with 3.86% of the current SBS lending book exposed to a 1% AEP coastal flood in 2080.

# Transition planning

## Transition plan setting

SBS, in assessing and managing our climate-related risks, has assessed needs and priorities for transition as the global and domestic economy transitions towards a low-emission, and climate-resilient future state. Noting materiality as described in this climate statement, and the nature of the SBS Group, transition planning is facilitated through the following aspects:

### SBS Environmental Management Policy

The purpose of this policy is to ensure that the SBS Group is positioned to effectively manage our contribution to, and the impacts of, climate change and other environmental issues and to foster sustainable economic growth.

This policy sets the framework for climate risk management alongside the Group Risk Management Strategy and Framework and covers:

- Climate-related risk and opportunity management, performance, and oversight.
- The Group's commitments to environmental management in the key areas of climate change, resource and asset efficiency, and products/markets.
- Strengthening the resilience of SBS Group's business model and by doing so, supporting the transition to a climate resilient economy.

- Carbon emissions measurement, science-based reduction to net-zero, assurance, and carbon offset portfolio.
- A complete exclusion for lending or funding to fossil fuel companies.

This policy includes requirements for continual climate-related education for both Governance and Management.

### Emissions Management and Reduction Plan

The purpose of this plan is to set and achieve a science-based roadmap for emissions reduction. The SBS Group's objective in GHG management is to achieve net zero operational emissions (Scopes 1 and 2) by 2050, with interim emissions reductions and targets in line with the science-based initiative.

## Transition targets and metrics

### Building capability and continual education

The Board maintains skills and competencies related to climate risks and opportunities through the information papers and attendance of climate education sessions. As the management and oversight of climate-related risks and opportunities is an evolving area, the Board will continue with education and close oversight.

### Key risk indicators and target states

SBS has set target states for two material risks; coastal inundation, and flooding. These are detailed further on Page 19. As our current state evolves with new, refinanced, or discharged residential lending, controls may be implemented to maintain exposure below target state. SBS Bank has developed climate risk-related security acceptance policy restrictions to further limit the Group's exposure to climate risk. Implementation of climate risk related restrictions will be commencing in FY27.

### Emissions Targets

SBS has set a net-zero operational emissions target by 2050, this target is set under the principals of the science based targets initiative, and as such interim targets are also set. Further detail on these targets, our progress to date, and commentary surrounding progress is disclosed on Page 21.

SBS has developed and published a new sustainability strategy detailed on Page 24.

# Climate Impacts and Exposure

## Current physical and transitional impacts

SBS has not experienced material impacts resulting from climate-related risks in this reporting period.

SBS has not seen any credit impacts related to climate-related events. In the FY26, there were three material climate related events - Cyclone Tam, and two multi hazard storms in April and June 2025. The total insurance cost to the New Zealand economy from these events in FY26 was \$109.1M, up from \$63.5M in FY25, and significantly lower than the \$3.87B experienced in FY24 (Insurance Council NZ). Of these events, the Labour Weekend Southland wind storm saw SBS Insurance facilitate \$826,283 in claims, greater than the \$130,696 in claims resulting from the South Dunedin floods of FY25.

Transitional impacts have not been felt by SBS, with FNL vehicle purchases following the market dynamics with a continued decrease in electric and hybrid vehicle lending in proportion to their total lending.

As SBS maintains negligible commercial and agriculture lending, and no industrial lending, we are not exposed to the impacts of government policy in relation to these industries.

There remains interest in our sustainability and climate position from wholesale funders as fund managers assess environmental impacts of their portfolios. SBS is confident in our current position on climate change and sustainability, and maintain a low-risk outlook in our ability to secure or maintain wholesale funding in relation to climate or sustainability.

## Sea level rise (SLR) & coastal inundation

SBS, using in-house models, assessed the exposure of our lending book to coastal inundation events and projected this to 2080 under our three climate scenarios. Of the current lending

book, 1.71% of properties are considered to have a risk exposure, or 1.50% of the outstanding value of the lending book.

Coastal inundation exposure remains consistent between climate scenarios until 2050 where the scenario pathways diverge. The exposure graph (right) is based on no risk control, amortisation, or lending composition changes for future projections. SLR and coastal inundation modelling provides data to understand how the insurance market may adapt to this chronic risk.

**Exposure** means >25% of each property's area would be inundated by a 1% annual exposure probability (AEP) event at present or >75% within 10 years of scenario SLR.

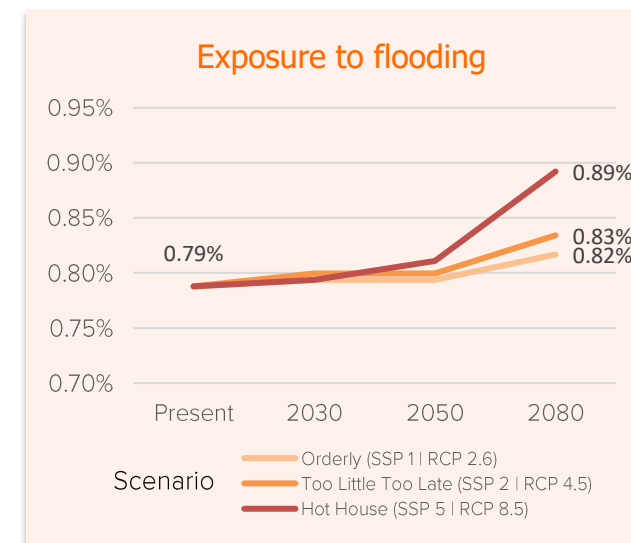
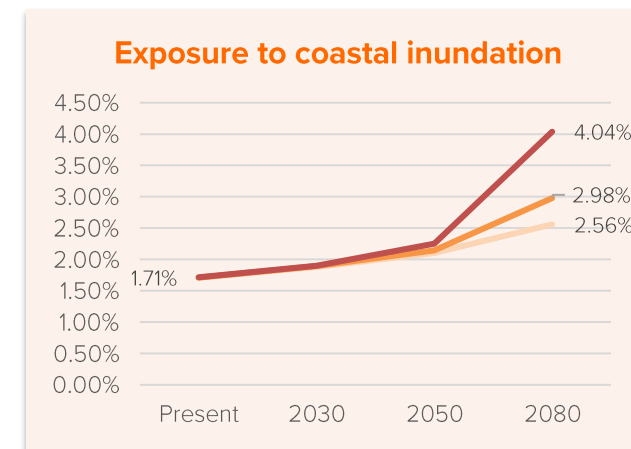
## Flooding

SBS, using third-party risk data, assessed flooding risk at present and projected this to 2080 under our three climate scenarios. Flooding exposure is not anticipated to increase chronically like coastal inundation, and exposure in different geographies are not expected to increase in a linear fashion.

Of the current lending book composition, 0.79% is considered to have a high-risk exposure. This exposure remains consistent until 2050 where thereafter it diverges with the RCP8.5 scenario exposure increasing to 0.89%. The exposure graph (right) is based on no risk control, amortisation, or lending composition changes for future projections.

**Exposure** in this means a property is exposed to flooding at a depth greater than 0.5m above floor height, and is likely to result in significant damage based on a modelled damage function.

SBS has disclosed results from our first climate stress test indicating anticipated financial impacts from a hypothetical, but large climate related weather event. Details are published on Page 18.

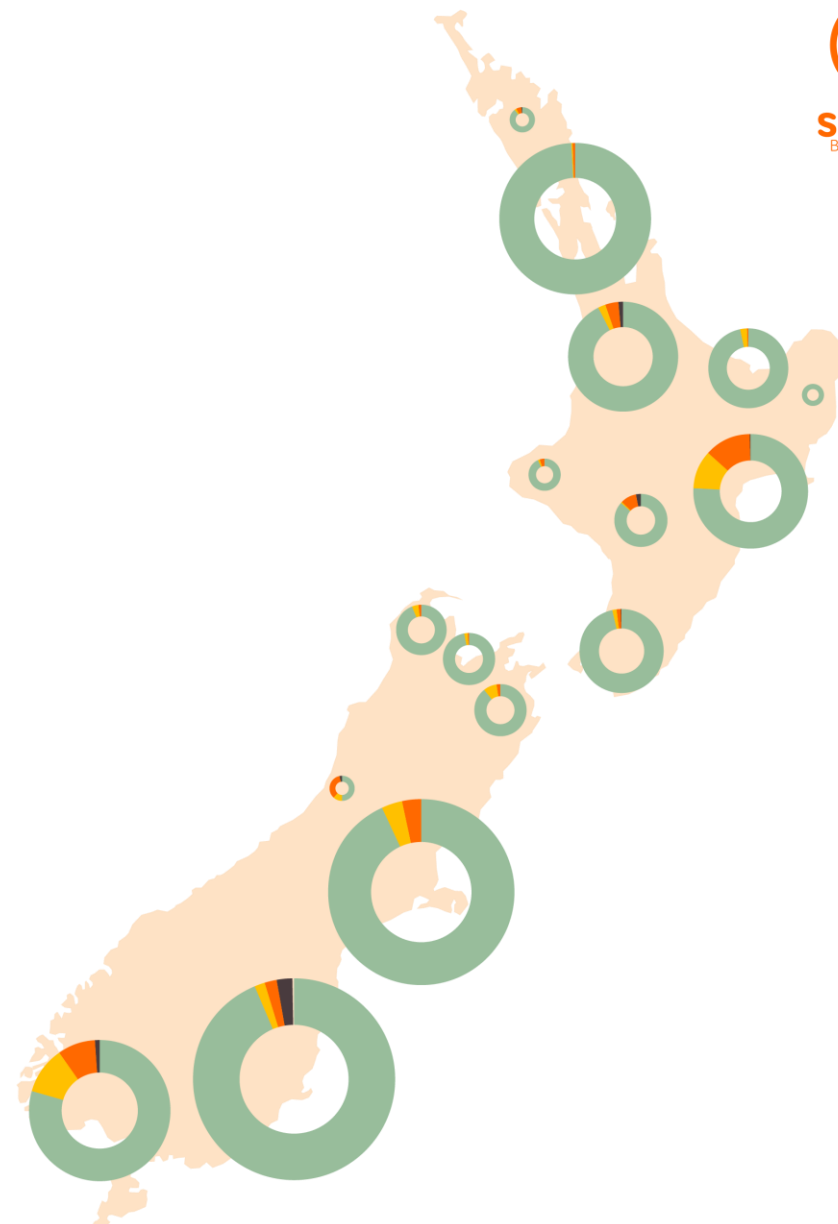


# Climate risks - flooding

SBS security properties have been assessed for their exposure to flooding – both fluvial (river) and pluvial (surface).

On this page the current exposure is expressed by regional council zones. The table below represents the proportion of security properties exposed in each region. The map (right) represents the value of lending exposed to at a 1% annual exceedance probability flooding event with each graph size proportional to the lending in each region.

	No exposure	Superficial damage	Repairable damage	Significant damage
Auckland	99.4%	0.3%	0.3%	0.0%
Bay of Plenty Region	96.2%	2.8%	0.8%	0.2%
Canterbury Region	93.2%	3.5%	3.3%	0.0%
Gisborne Region	100.0%	0.0%	0.0%	0.0%
Hawke's Bay Region	75.6%	11.1%	13.2%	0.1%
Manawatū-Whanganui Region	87.2%	0.8%	9.2%	2.8%
Marlborough Region	89.2%	8.3%	2.5%	0.0%
Nelson Region	97.2%	2.0%	0.8%	0.0%
Northland Region	89.5%	2.6%	6.6%	1.3%
Otago Region	93.8%	1.7%	1.9%	2.7%
Southland Region	79.5%	10.7%	8.8%	0.9%
Taranaki Region	93.2%	1.9%	4.9%	0.0%
Tasman Region	94.1%	4.2%	1.7%	0.0%
Waikato Region	92.6%	2.3%	3.9%	1.2%
Wellington Region	96.7%	1.5%	1.7%	0.2%
West Coast Region	50.0%	11.7%	35.0%	3.3%



## Climate risks – stress testing

SBS constructed and ran its first climate-related stress test and incorporated the results into the Bank's Capital Stress test model. The event tested was designed to represent a plausible and challenging event, and represents a Cyclone Gabrielle scale event impacting Canterbury, Marlborough, and Wellington set in the FY28. The following geographies and parameters were selected due to higher property concentrations and exposures – particularly in relation to flooding.

- 1 in 500-year flooding event affecting all North Canterbury rivers (Selwyn District to Kaikoura District inclusive);
- 1 in 100-year flooding event affecting Marlborough rivers (Awatere and Wairau valleys);
- 1 in 100-year coastal flooding event from storm surge affecting east coast from Selwyn to Wellington (including Petone).

In the design of this scenario, SBS made assumptions to allow for financial impacts to be modelled, including:

- Probability of default was stochastic based on the modelled damage and displacement values for each impacted property.
- Insurance assumptions were set at 88% fully insured, 10% variably underinsured, and 2% no coverage for the event.
- Indirect impacts such as loss of work, temporary resettlement and the impact of these on the local economy in the area.

The scenario was assessed through a Monte Carlo simulation, with results indicating on average, with \$481m of lending exposed in the test a potential loss of up to \$17.3m could be incurred after insurance and other controls are implemented. This model has provided a foundation for assessing the financial impacts of climate change on SBS, this approach will be continually updated and reviewed.

Despite these disclosures, SBS is using the adoption provision (NZCS2-12/13) in relation to anticipated financial impacts related to climate impacts as it has only published a single event's financial impact rather than a long-term view of the financial impacts reasonably expected.



# Metrics and targets

As SBS builds capability and maturity in the climate risk space, additional metrics and targets will be set. SBS's approach to date has been to understand its position, scope market opportunities, and firmly develop and implement the strategy focused on first home buyers.

Risk appetite levels have been set for the two material climate related risks for SBS Bank – Flooding and Sea Level Rise (SLR). These targets have been incorporated into the Group Risk Appetite Statement set by the SBS Board. Climate physical risks were included into capital stress test models in FY26 to understand the potential impact to SBS Capital Ratios resulting from a hypothetical, large scale flooding and coastal inundation event.

SBS' Exposure to SLR has increased slightly on the previous period, though remains well within appetite. As SBS implements lending restrictions on high risk properties, this number is expected to stabilise and eventually decrease.

SBS will continue to scope additional targets, particularly related to financed emissions. Projects and targets are being scoped detailing improving the measurement of emissions, and how we may reduce the emissions intensity of each category.

Grouping	Metric	Target	Position	Comments
Emissions	Scope 1 & Scope 2 emission reduction	42% reduction by 2030, 18% by FY26	27% Reduction Scope 1 15% (18%) Scope 2	Target updated from previous disclosures from annual to cumulative target. Scope two (increase) due to changes in emission factors, actual usage has reduced 15%.
	Attain reasonable assurance on Emissions Disclosures.	Reasonable assurance achieved	Achieved	Reasonable Assurance attained by KPMG for FY26.
	Scope 3 emission reduction (excluding Financed Emissions)	25% by 2030 11% in FY26	24.8% Scope 3	Due to our size, projects, and geographic distribution, travel related emissions can shift our position year to year.
	Financed Emissions - Residential	TBD	6238.18 t CO <sub>2</sub> FY25 6616.52 PCAF Score 5	Second statement, no target set, not subject to Assurance in FY27
	Financed Emissions - Vehicles tCO <sub>2</sub>	TBD	52,512.6 t CO <sub>2</sub> FY25 51,931.7 PCAF Score 3	Second statement, no target set, not subject to Assurance in FY27
Physical risks	Properties exposed to sea level rise, 2030, SSP2	<2.5% - Trigger <3.5% - Limit	1.89% FY25 1.79% FY24 1.60%	Position of 1.89% refers to the forecast 2030 position (FY26 actual: 1.71%).
	Properties exposed to flooding	<2.5% - Trigger <3.5% - Limit	0.79% FY25 0.71% FY24 2.93%	
Financing / transition risks	No lending or funding to fossil fuel industry*	0%	0%	Maintain current position.

\*defined as: "any company directly involved in or that gets the majority of their business revenue from the extraction, production and manufacturing of coal, oil and gas" as per our Group Environmental Policy and Bank Liquidity Policy.

# Metrics and targets – emissions profile

SBS has measured emissions in accordance with the GHG Protocol, specifically:

- The Corporate Accounting and Reporting Standard
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard
- Technical Guidance for Calculating Scope 3 Emissions (V1)

This is SBS's third disclosure of emissions, and in FY26, SBS saw continued reduction in our Scope 1 emissions, an increase in Scope 2 emissions due to higher emission factor for New Zealand electricity, and a decrease in Scope 3 comparative emissions.

In this four year comparative view, total gross emissions, and emission intensities against both FTE and Revenue have decreased. Refer "Emissions Targets" on the following page for further detail.

New emissions disclosures, and those emission sources with only one previous year for comparison are presented separately allowing for a clear representation and comparison of metrics. SBS has elected to be audited at reasonable assurance standard for all scopes (excluding financed emissions) against the GHG Protocol, and NZSAE-1.

## Emissions baseline

SBS continues to disclose against our Group baseline in FY23. In FY26, SBS has seen continued reduction in our scope 1 emissions, an increase in scope 2 emissions due to higher emission factor for New Zealand electricity, and a decrease in scope 3 comparative emissions. In this four-year comparative view, total gross emissions decreased primarily due to an decrease in business-related travel. Refer "Emissions Targets" on the following page for further detail. Refer footnote for electricity emissions.

## Emissions pricing

There are no commonly referenced industry-wide metrics and targets beyond the Net-Zero Banking Alliance, to which SBS is not a signatory.

As SBS has limited exposure to emissions from industry or agriculture, emissions prices used follow the pricing guidance of the Climate Change Commission (2024 – \$64/tonne).

	FY23	FY24	FY25	FY26
	tCO2eq	tCO2eq	tCO2eq	tCO2eq
<b>Scope 1</b>	207.48	201.86	160.96	149.41 ↓
Transport fuels (petrol & diesel)	207.48	201.86	160.96	149.41
Stationary fuel	-	-	-	-
<b>Scope 2</b>	125.75	118.49	113.27	147.81 <sup>1</sup> ↑
Purchased electricity - location based approach	119.7	111.16	106.46	138.47
Data Centres	5.96	6.75	6.81	9.35
<b>Scope 3 - Comparative</b>	406.54	447.17	394.65	305.67 ↓
Electricity T&D Losses	13.88	12.95	7.33	9.76
Business travel (air)	271.39	308.74	254.53 <sup>2</sup>	174.73
Business travel (ground)	2.53	2.24	2.87	3.17
Business travel (accommodation)	11.54	11.05	23.07	16.37
Printing	13.62	11.99	10.35	7.3
Bulk Mail	9.99	8.81	7.34	7.16
Water/wastewater	26.17	28.61	26.77	26.17
Waste	57.42	62.78	62.41	61.01
<b>Scope 3 - New Disclosures</b>	43.63	38.45	1393.08 <sup>4</sup>	1614.39
Courier	-	-	5.63 <sup>4</sup>	4.79
Marketing Materials	-	-	260.30 <sup>4</sup>	385.87
Consultants	-	-	117.89 <sup>4</sup>	76.59
Staff commuting/WFH	43.63	38.45	466.36 <sup>3</sup>	488.01
Head Office Retrofit	-	-	542.9 <sup>4</sup>	357.32
Future Bank Project	-	-	-	301.81
<b>Comparative Total</b>	<b>739.77</b>	<b>767.52</b>	<b>668.89</b>	<b>602.89<sup>1</sup></b> ↓
<b>Total</b>	<b>783.4</b>	<b>805.97</b>	<b>2062.00</b>	<b>2217.28</b> ↑
<b>Intensity Metrics</b>				
FTE	496.68	541.92	539	530.05
Operating income	\$170.98	\$187.48	\$188.32	\$201.63
<b>Comparative Intensity tCO2/FTE</b>	<b>1.49</b>	<b>1.42</b>	<b>1.24<sup>5</sup></b>	<b>1.14</b> ↓
<b>Comparative Intensity tCO2/\$M</b>	<b>4.33</b>	<b>4.09</b>	<b>3.55<sup>5</sup></b>	<b>2.99</b> ↓

1. Actual electricity has decreased by 6.4%, the increase in emissions is entirely attributable to a change in emission factor representing the national grid make up. To allow for comparative analysis, emissions calculated on the same EF as FY25 was 106.69 t CO<sub>2</sub> with a comparative total of 560.17 t CO<sub>2</sub>.

2. For the FY25 reporting period, there was a material change in MIE Emission Factors (EF). To allow for a comparative analysis, the travel emissions in FY25 with the same EF as FY24 was 359.82 t CO<sub>2</sub>. Giving a total Scope 3 Comparative total in FY25 of 499.96 t CO<sub>2</sub>.

3. Commuting emissions increased in boundary from SBS Wealth only to whole Group in FY25.

4. SBS is restating our cost-based emissions accounting for updated AR4 based to AR5 based emission factors sourced from ThinkStep ANZ. Restatement allows for direct comparison between years' emissions. Prior disclosed emissions: Courier 4.13, Consultants 107.56, Marketing 255.2, Retrofit 555.95, total Scope 3 – New Disclosures 1391.57.

5. SBS in FY26 disclosed our intensity metrics against comparative travel emissions (refer note 2), the intensity metrics disclosed in FY25 were, FTE 1.44, operating income 4.11.

# Metrics and targets – emissions targets

The SBS Board commits to managing and reducing its emissions through a science-based target (SBTi) to meet the Paris Agreement targets of limiting warming to 1.5°C.

## Emissions targets

Using FY23 as our baseline, SBS has committed to net-zero operational emissions by 2050. This is supported by an interim target of a 42% reduction in Scopes 1 and 2 absolute emissions by 2030, and a 25% reduction of scope 3 in accordance with the SBTi.

Using the SBTi framework, SBS is confident that its emissions-reduction initiatives contribute towards limiting global warming to 1.5°C. These emissions and targets are subject to reasonable assurance each year.

Specific objectives and actions towards meeting these targets are presented here based on the currently measured emissions profile. The GARC receive quarterly updates on progress towards these emission reduction targets. SBS will continually review emissions pricing as it investigates the need for offsets, renewable energy certificates, or carbon credits to assist in meeting these targets for emissions.

## Performance towards targets

SBS has met some of its targets in the FY26 year, and not met some. Overall, the emissions profile of SBS has decreased against both its baseline, and the previous reporting period on a comparative basis.

Objective	Action	Target	FY26 Target	Progress	Comments
Reduce emissions from Group fleet vehicles	Convert remaining combustion fleet (43% of total) to hybrid.	40% reduction in (combustion) vehicle absolute emissions by 2030.	18% reduction from baseline	27.5% Reduction from baseline	All remaining diesel vehicles retired from fleet.
	Convert 75% of current hybrid fleet vehicles to EV.	75% reduction in absolute emissions from rest of fleet vehicles by 2030.	N/A	N/A	Awaiting end of lease for options to renew.
Reduce electricity usage across all sites.	Implement energy-saving measures, education, and efficiency gains through operational changes.	Progressive 10% reduction in absolute electricity usage across all sites (ex-Head Office) by 2030.	6% reduction from baseline	15% Reduction from baseline	Emissions have increased due to increase in emission factors.
Reduce electricity usage at SBS head office.	Complete head office re-fit, thermal efficiency project, and upgrade of HVAC.	20% reduction in absolute electricity usage from the Head Office by 2026.	N/A	N/A	Head office refit complete with system handover completing Q1 FY27.
Reduce and rationalise business travel.	Implement travel rationalisation policies and introduce travel offsets for flights.	15% reduction in emissions from Group travel-related activities by 2030.	6% reduction from baseline	4% Reduction from baseline	Significant reduction in travel from FY25, low baseline set.
Eliminate bulk mail across all business units.	Digitise all statements and disclosures.	100% reduction in bulk mail absolute emissions by 2028.	43% reduction from baseline	28% Reduction from baseline	Digitisation of statements progressing.
Reduce printing across all sites.	Digitise all operations and implement policies to reduce paper use at all sites.	90% reduction in printing by 2030, and 50% by 2026. Absolute emissions target.	39% reduction from baseline	46% Reduction from baseline	Digitisation projects progressing.

# Metrics and targets – financed emissions

## Financed emissions

The Partnership for Carbon Accounting Financials (PCAF) define financed emissions as emissions attributable to lending and investments made by an organisation. SBS is disclosing its two most material lending asset classes, residential and vehicle lending.

For these calculations, SBS used the PCAF standard – The Global GHG Accounting and Reporting Standard for the Financial Industry (First edition).

Two categories of financed emissions have been calculated and are presented in these statements:

## Vehicle Lending – emissions

SBS was unable to gather vehicle level emissions for FNL’s vehicle lending portfolio, however it has made and model data on each vehicle. Accordingly, SBS was required to estimate the average distance travelled per vehicle in each NZ region. Using vehicle specific emission factors, and regional travel statistics, an emission profile of the lending book was created, using a monthly loan to value ratio (LVR) as an attribution factor.

These emissions were recalculated monthly due to the short term lending terms. This approach is consistent with a PCAF score of 3.0.

## Residential Lending – emissions

SBS was unable to gather property level emissions or energy use data for the entire residential portfolio. Accordingly, to develop our residential lending financed emissions portfolio, SBS modelled the emissions factor of an ‘average’ residential dwelling in each of New Zealand’s regions. These emission factors were derived using the following data sources:

- Statistics NZ: Data on the proportion of heating types per NZ region.
- Energy Efficiency and Conservation Authority NZ: Data on energy use by fuel type and end use.
- Electricity Authority NZ: Data on electricity use per household per region.

Applying the LVR as an attribution factor, SBS estimated the emissions attributable to each property. This approach is consistent with a PCAF score of 5.0.

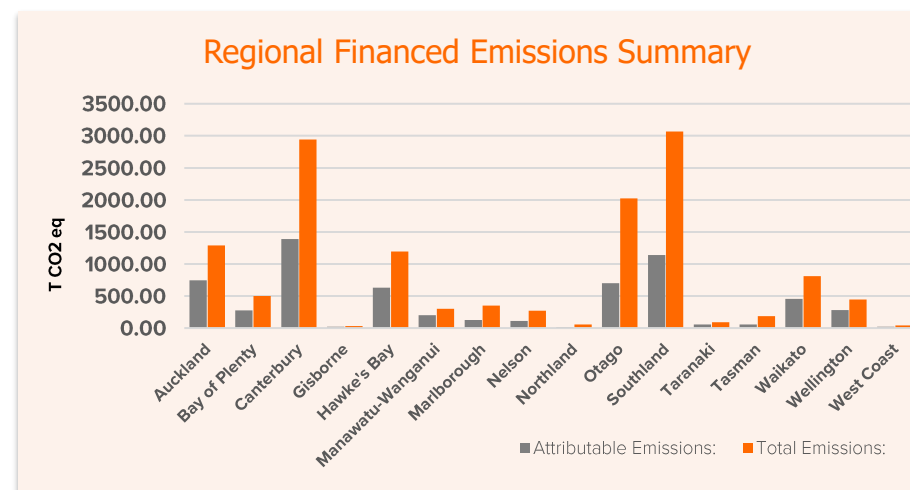
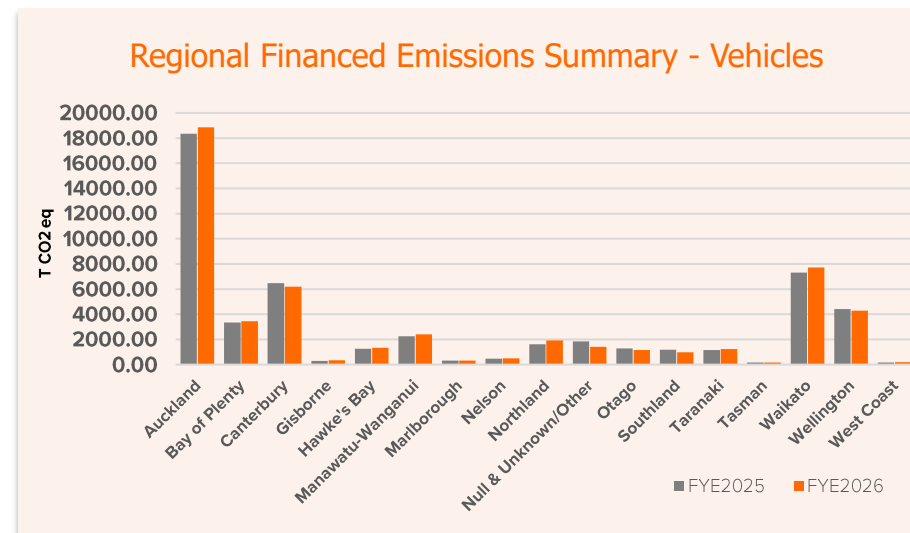
### PCAF Score Definitions:

#### Vehicle Lending:

- 5 – Estimated vehicle-unspecify emissions.
- 3-4 – Estimated vehicle-specific emissions.
- 1-2 – Actual vehicle-specific emissions.

#### Residential Lending:

- 5 – Estimated emissions based on number of buildings.
- 3-4 – estimated emissions based on floor area.
- 2-1 – Actual building emissions.



# Group Sustainability Vision

SBS has developed and approved a new Group Sustainability Strategy: Growing with care for the prosperity of our members and customers.



SBS has developed our Group Sustainability Strategy with four key pillars:



### Targets:

- Investigate and develop targeted financial education programs tailored to members and customers in vulnerable positions.
- Work with community groups that provide or support the delivery of financial education.
- Develop digital capability to allow for broader access to financial literacy tools.



### Targets:

- Investigate and achieve a sustainability accreditation.



### Targets:

- Strengthen external provider home ownership programs with First Home Buyers.
- Investigate and consider developing market-ready sustainable lending products.



### Targets:

- 42% reduction in Scope 1&2, and a 25% reduction in Scope 3 emissions by 2030 from a 2023 base year.
- Investigate sustainable funding and financed emissions calculations on investments.

# Sustainability highlights



Paris-aligned Emissions Reduction ongoing.



Over \$1 million donated or sponsored to partnerships and community groups.



Emissions assurance – Year three.



Further 2.3% reduction in bulk mail, supported by transition to paperless statements.



Further 30% year-on-year reduction in paper use.



More than 1300 new homeowners welcomed by the SBS team.

# Supporting first home buyers

SBS's strategy and vision is: Helping Kiwis find a place to call home. To achieve this, SBS offers products and services specifically designed to help Kiwis realise this dream.



First home buyers Hannah and Liam receiving a reduced home loan rate at the Hawkes Bay Great Rate Roar Down.

## SBS FirstHome Combo

SBS is proud of its market-leading FirstHome Combo, enabling it to make an authentic impact for its members. The FirstHome Combo draws benefits from the SBS Group, and includes:

- A discounted interest rate fixed for the first year.
- \$3,000 cash.
- \$1,000 towards home and contents insurance with SBS Insurance.
- \$1,000 KiwiSaver top-up with SBS Wealth

## Kāinga Ora partnership

Kāinga Ora brings together the people, capabilities and resources of the KiwiBuild Unit, Housing New Zealand and its development subsidiary HLC. This is designed to enable a more cohesive, joined-up approach to delivering the Government's priorities for housing and urban development in New Zealand. These priorities include addressing homelessness and making homes more affordable for New Zealanders.

## Queenstown Lakes Community Housing Trust

The Queenstown Lakes Community Housing Trust (QLCHT) was formed in 2007. This trust is an independent, not-for-profit, community-owned organisation. QLCHT has a range of housing programs, each designed to assist eligible low-to-moderate income households that contribute to the social, economic and environmental wellbeing of this district

and are genuinely struggling to commit to the area because of housing affordability. SBS is a supporter and lender into the Secure Home assisted ownership programme. The objective of Secure Home is not only to provide decent and affordable housing, but long-term housing stability and security in the same way that home ownership does.

## Housing Foundation

Housing Foundation is a not-for-profit, charitable trust that helps lower income renting households towards home-ownership. The Foundation has successfully helped hundreds of households into affordable housing, mainly in Auckland and Christchurch through shared ownership and rent-to-own scheme, and by managing the construction of more than 800 new affordable homes.

SBS offers loans in conjunction with the NZHF Shared Ownership Scheme. NZHF become co-owners of the property and will provide a minimum of 20% equity with the Member able to apply for a home loan for the remainder or the purchase price.

## In our community

SBS branch staff are proud to support local. Here are some of the community groups, non-profits, and organisations we support in our community.

- Hawke’s Bay – Kindness Collective: toys and clothes for families doing it tough.
- Riccarton – Dogwatch Sanctuary: with a mission to rescue and rehome abandoned dogs.
- NorthLink – START Trust: they provide counselling and support for survivors of sexual violence.
- Gore – Calvin Church Community Christmas Lunch: making sure no one spends Christmas alone.
- Tauranga – Bowel Cancer Foundation: patient support and life-saving research
- Blenheim – Marlborough Four Paws animal rescue, and School Start First Impressions for school gear for kids in need.
- Invercargill – Furever Homes: finding loving homes for cats and dogs.
- Dunedin – Dunedin Bedding Bank: bedding, tents, sleeping bags and essentials for those who are sleeping rough.
- Queenstown – Happiness House: gifts for local families to have under the tree.
- Nelson – Fifeshire Foundation: helping local families celebrate Christmas.

SBS is proud to continue our support for community groups, non-profits, and organisations in our community.

- Donation of surplus office equipment and furniture to the Salvation Army and Orphans Aid.
- Ronald McDonald House
- Southland Loss and Grief Centre
- YES Chamber of Commerce
- The Southland Foundation



SBS team members volunteering to help spring cleaning at Ronald McDonald House, Invercargill.



Team member delivering Christmas gifts to Dogwatch, Christchurch.



# Diversity and inclusion

Building on last year’s progress, we’re excited to continue our journey with our Diversity, Equity, and Inclusion Strategy. Equity remains at the heart of our mission to achieve true inclusion, ensuring fairness and opportunity for all our teams and members.

### Key focus areas:

- Cultural diversity
- Generational diversity
- Gender diversity
- Rainbow diversity

### Minor focus areas:

- Mental health and disability
- Modern families

With insights from our extensive research and the invaluable voices of our team members, we've zeroed in on key areas to drive impactful change. In order to ensure continuous improvement and maintain the correct focus areas and objectives, our strategy underwent a review at the end of 2025.

### Creating understanding and awareness

Our Committee has been instrumental in formulating and delivering a programme of work that allows the business to recognise and celebrate events and initiatives throughout the year. This includes providing our teams with a better understanding of the history and cultural significance of certain days or raising funds and awareness for worthy causes. We are proud of the way our team members come together to support and participate in our events, demonstrating their commitment to our shared values and goals.

### Governance and leadership

Our SBS Board of Directors, as at the end of March 2026, comprised of eight independent directors including six male and two female directors who are responsible for the overall governance of the organisation. We believe it's important to have a diverse range of backgrounds and viewpoints to fully represent all our stakeholder groups and we remain committed to improving this.

### Diversity in management – SBS Bank

54.8%\* of our leadership positions are held by women within SBS Bank. Diverse leadership brings a different perspective to our workforce and is an area in which we are continually focusing, not just through gender diversity, but across all areas such as age, ethnic background and perspective.

### Diversity, Equity and Inclusion Committee

Our Diversity, Equity and Inclusion Committee comprises a mix of team members and senior leadership, ensuring a range of perspectives at the table. The committee meets quarterly to work on our action plans and goals. This collaborative approach has been instrumental in widening and deepening our understanding of key issues, prejudices, cultural differences and the other challenges that many of us face in different ways. Through the exceptional work that this committee has done, our team are learning and developing every day.

*\*leadership positions include; executive, direct executive report, team leader, or senior influencer within the Bank.*

Members	SBS Bank	FNL	SBS Wealth	SBS Insurance
<b>All team members (excluding Executives)</b>				
Female	69.6%	59%	52%	85%
Male	30.4%	41%	48%	15%
<b>Executive</b>				
Female	20%	50%	12.5%	75%
Male	80%	50%	87.5%	25%
<b>Board</b>				
Female	25%	25%	20%	0%
Male	75%	75%	80%	100%



# Appendix

# Appendix A

## NZCS2 Adoption Provisions used:

SBS has employed the use of the following Adoption Provisions as allowed for in NZCS2 – Adoption of Aotearoa New Zealand Climate Standards.

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### CS2 – 12:

The anticipated financial impacts of climate-related risks and opportunities reasonably expected by an entity.

- SBS is partly using the first-time adoption provision (NZCS2-12/13) in relation to anticipated financial impacts related to climate impacts. SBS will be incorporating climate risks into stress testing in FY26, with these results presented on page 18, however these do not constitute full disclosure on future financial impacts resulting from climate change.

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### CS2 – 13:

Description of the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur.

- SBS is using the first-time adoption provision (NZCS2-12/13) in relation to anticipated financial impacts related to climate impacts. SBS will be building on our stress testing to determine future financial impacts resulting from climate change.

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### CS2 – 17:

Greenhouse gas (GHG) emissions: gross emissions in metric tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) classified as: Scope 1, Scope 2, Scope 3.

- SBS has measured emissions in line with the GHG Protocol, and presents these as Scope 1, 2, and 3 emissions. These emissions were subject to assurance by KPMG under the GHG Protocol, and NZSAE-3. This is SBS Group's third disclosure of emissions, and there are additional emission sources being scoped for measurement and disclosure in our fourth Climate Statement onwards.

## Appendix B

Emissions are consolidated using the ‘financial control’ approach detailed in the GHG Protocol. Under this approach, all emissions associated with SBS Bank, SBS Wealth, SBS Insurance, Finance Now Limited, and Fraser Properties are included.

This inventory has been prepared with the best available information, but there is inherent uncertainty of GHG quantification due to incomplete scientific knowledge. The calculation for quantifying GHG emissions used is: emissions = activity data x emissions factor.

SBS has increased the scope of our emission sources in our third disclosure, with the addition of Future Bank. However, SBS recognises that there are additional operational emission sources that have been omitted from this report that will be included in following reports, including:

- Products purchased – SBS will continually expand the scope and breakdown of purchased products to ensure high quality data. As SBS matures in our emissions measurement approach, these categories will be refined, and moved to an actual measurement basis.

SBS will also expand our financed emissions profile to include:

- Equity share – of companies SBS owns an equity share in, for example Raizor Global Limited.
- Investments – calculated through the PCAF standard.

These two exclusions form part of a partial use of the adoption provision: CS2 – 17.

Emission source	Data source	Emission factor reference	Data confidence
Fleet fuel (petrol, diesel)	Actual fuel use derived from supplier fuel reports	MfE 2025 – emission factors for each fuel type	High – all data represents actual use
Electricity	Energy supplier usage reports Datacentre actual power usage reports	MfE 2025 – grid average, location-based approach	High – all data represents actual use
Business travel (flights, accommodation, transfers)	Travel provider reports, credit card reconciliations	MfE 2025 – emission factors for flight types, accommodations, and taxi transfers.	Moderate – approximately half data is through a travel provider, half through credit card reconciliations - some flights required an assumption to distance travelled.
Printing & bulk mail	Bulk mail supplier, internal BI reports	13.7g/A4 sheet, mail/freight certified CarbonZero	High – emission factor assumed to be higher than actual
Staff commuting	Internal surveys	MfE 2025 – emission factors	Moderate – survey a snapshot in time, extrapolated annually.
Water/waste/wastewater	FTE counts	MfE 2025 – emission factors	Low – using FTE method assumes national average applies. Actual measurement preferred.
Courier	\$ spent - general ledger	Spend-based approach – ThinkStep ANZ Emission Factors	Moderate – GL codes assumed to be high quality, using single EF per \$ known to be lower quality than actual figures.
Marketing Material	\$ spent - general ledger	Spend-based approach – ThinkStep ANZ Emission Factors	Moderate – GL codes assumed to be high quality, using single EF per \$ known to be lower quality as marketing outputs vary (e.g. TV advertising, vs branding materials).
Consultants	\$ spent - general ledger	Spend-based approach – ThinkStep ANZ Emission Factors	Moderate – GL codes assumed to be high quality, using single EF per \$ known to be lower quality than actual figures.
Head Office Retrofit	\$ spent	Spend-based approach – ThinkStep ANZ Emission Factors	Moderate – waste metrics are deemed to be high with actual volume recorded, remaining spend based deemed to be low due to single factor for all works.
Future Bank Project	\$ spent	Spend-based approach – ThinkStep ANZ Emission Factors	Moderate – travel metrics are deemed to be high due to consultant travel being spend based reconciliation. Remaining spend based deemed to be moderate due to single consultant emission factor for all work.

# KPMG - Assurance Statement



## Independent Reasonable Assurance Report to Southland Building Society Limited

### Opinion

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects, the Scope 1, 2 and 3 gross greenhouse gas emissions (excluding financed emissions), additional required disclosures and greenhouse gas emissions methods, assumptions and estimation uncertainty disclosures included in the Climate | Sustainability Statement on pages 20 and 30 (GHG disclosures) are fairly presented and prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (the Criteria) for the period 1 April 2025 to 31 March 2026.

### Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to Southland Building Society Limited and its controlled subsidiaries ("the Banking Group") GHG disclosures for the period 1 April 2025 to 31 March 2026.

NZ CS 1-3 Requirement	Reference
NZ CS 1 22(a)	Page 20
NZ CS 1 24(a-d)	Pages 20, 30
NZ CS 3 52-53	Page 30
NZ CS 3 54	Not applicable

Our opinion on the GHG disclosures does not extend to any other information included, or referred to, in the Climate | Sustainability Statement on pages 1 to 19, and 21 to 29, or other information that accompanies or contains the Climate | Sustainability Statement and our assurance report (other information). We have not performed any procedures with respect to the other information.

### Criteria

The criteria used as the basis of reporting are the Aotearoa New Zealand Climate Standards:

- NZ CS 1 Climate-related Disclosures (NZ CS 1),
- NZ CS 2 Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2); and
- NZ CS 3 General Requirements for Climate-related Disclosures (NZ CS 3).



Collectively the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB).

The Scope 1, 2 & Scope 3 greenhouse gas emissions, as disclosed on pages 20 and 30 of the Climate | Sustainability Statement, have been measured in accordance with the World Resources Institute and World Business Council for Sustainable Development's Greenhouse Gas Protocol standards and guidance:

- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition),
- The Greenhouse Gas Protocol: GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard; and
- The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

As a result, this report may not be suitable for another purpose.

### Standards we followed

We conducted our reasonable assurance engagement in accordance with New Zealand Standard on Assurance Engagements 1 (NZ SAE 1) Assurance Engagements over Greenhouse Gas Emissions Disclosures and International Standard on Assurance Engagements (New Zealand) 3410 Assurance Engagements on Greenhouse Gas Statements (ISAE (NZ) 3410) issued by the New Zealand Auditing and Assurance Standards Board (Standard). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under the Standard are further described in the 'Our responsibility' section of our report.

### Other Matter – Revision of the prior year comparative information

We previously expressed an opinion over the GHG disclosures for the period 1 April 2024 to 31 March 2025, and our report dated 25 June 2025 included an unmodified opinion.

We were not engaged to express an opinion, or apply any procedures, on the revisions to the comparative information, and accordingly, we do not express an opinion or any form of assurance on whether such revisions are appropriate or have been properly applied.

Our opinion is not modified in respect of this matter.

### How to interpret reasonable assurance and material misstatement

Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material misstatement when it exists.

Misstatements, including omissions, within the GHG disclosures are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the GHG disclosures.

### Inherent limitations

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.

### Use of this assurance report

Our report is made solely for Southland Building Society Limited. Our assurance work has been undertaken so that we might state to Southland Building Society Limited those matters we are required to state to them in the assurance report and for no other purpose.

# KPMG - Assurance Statement



Our report should not be regarded as suitable to be used or relied on by anyone other than Southland Building Society Limited for any purpose or in any context. Any other person who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to anyone other than Southland Building Society Limited for our work, for this independent assurance report, and/or for the opinions or conclusions we have reached.

Our opinion is not modified in respect of this matter.

## Southland Building Society Limited's responsibility for the GHG disclosures

The Directors of Southland Building Society Limited are responsible for the preparation and fair presentation of the GHG disclosures in accordance with the Criteria. This responsibility includes the design, implementation and maintenance of such internal control as Directors determine is relevant to enable the preparation of the GHG disclosures that are free from material misstatement whether due to fraud or error.

The Directors of Southland Building Society Limited are also responsible for selecting or developing suitable criteria for preparing the GHG disclosures and appropriately referring to or describing the criteria used.

## Our responsibility

We have responsibility for:

- planning and performing the engagement to obtain reasonable assurance about whether the GHG disclosures are free from material misstatement, whether due to fraud or error;
- forming an independent opinion based on the procedures we have performed and the evidence we have obtained; and
- reporting our opinion to Southland Building Society Limited.

## Summary of the work we performed as the basis for our opinion

A reasonable assurance engagement performed in accordance with the Standard includes:

- assessing the suitability of the circumstances of Southland Building Society Limited's use of the Criteria as the basis for preparation of the GHG disclosures;
- considering relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls;
- evaluating the appropriateness of reporting policies and quantification methods used in the preparation of the GHG disclosures and the reasonableness of estimates made by Southland Building Society Limited; and
- evaluating the overall presentation of the GHG disclosures.

The nature, timing and extent of the procedures selected depended on our judgment, including an assessment of the risks of material misstatement whether due to fraud or error. We identified and assessed the risks of material misstatement through understanding the GHG disclosures and the engagement circumstances.



## Our independence and quality management

This assurance engagement was undertaken in accordance with NZ SAE 1. NZ SAE 1 is founded on the fundamental principles of independence, integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (PES 3), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have also complied with Professional and Ethical Standard 4 *Engagement Quality Reviews* (PES 4) which deals with the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

Our firm has also provided other services to the banking group in relation to audit of the banking group's full-year consolidated disclosure Statement, review of the Banking Group's half-year consolidated Disclosure statement, limited assurance over Capital Adequacy and Regulatory Liquidity disclosures, and a subsidiary's tax compliance. Subject to certain restrictions, partners and employees of our firm may also deal with Southland Building Society Limited on normal terms within the ordinary course of trading activities of the business of Southland Building Society Limited. These matters have not impaired our independence as assurance providers of Southland Building Society Limited for this engagement. The firm has no other relationship with, or interest in, Southland Building Society Limited.

As we are engaged to form an independent opinion on the GHG disclosures prepared by Southland Building Society Limited, we are not permitted to be involved in the preparation of the GHG information as doing so may compromise our independence.

The engagement partner on the assurance engagement resulting in this independent assurance report is Sonia Isaac.



KPMG  
Wellington  
25 June 2026